

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-03 H-02 INR-07 L-02 NSC-05 PA-01

PRS-01 SP-02 SS-15 EB-07 COME-00 TRSE-00 FEA-01 OES-03

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 8658

C O N F I D E N T I A L CARACAS 4791

E.O. 11652: GDS

TAGS: PFOR, ENRG, VE

SUBJECT: GULF OIL CASE

REF: CARACAS 4749

1. AS FOREIGN MINISTER ESCOVAR INFORMED DCM AT AIRPORT JUST BEFORE DEPARTING FOR WASHINGTON MORNING OF MAY 7, THE ACTING FOREIGN MINISTER PRESENTED DCM WITH A NOTE CONCERNING THE GULF OIL COMPANY (REFTEL). ESCOVAR SAID GOV HAD BEEN UNDER VERY HEAVY POLITICAL PRESSURE TO TAKE ACTION CONCERNING THE GULF SCANDAL. ESCOVAR EMPHASIZED, HOWEVER, THAT THE GOV HAS NO DESIRE TO CLOSE DOWN GULF'S OPERATIONS HERE. ESCOVAR ADDED THAT DCM MIGHT EXPECT A SUMMONS FROM PRESIDENT PEREZ TO DISCUSS THE MATTER THE AFTERNOON OF MAY 7. THESE REMARKS WERE REITERATED BY AMBASSADOR RAPHAEL. AS OF LATE AFTERNOON MAY 7 EMBASSY HAD RECEIVED NO CALL FROM THE PRESIDENCY.

2. ALTHOUGH OFFICIALS OF MENE GRANDE CO. (OWNED 50 PERCENT BY GULF; EXXON AND SHELL OWN THE BALANCE) ON MAY 2 CATEGORICALLY DENIED HAVING MADE ANY PAYOFFS TO VENEZUELAN OFFICIALS, LOCAL SPECULATION THAT GOV OFFICIALS MAY HAVE BEEN IMPLICATED CONTINUED. ON MAY 6 THE VENEZUELAN CONGRESS PASSED A RESOLUTION CALLING FOR THE EXECUTIVE BRANCH TO INVESTIGATE GULF ACTIVITIES
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IN VENEZUELA AND APPOINTED A SPECIAL COMMITTEE TO INVESTIGATE

THE MATTER.

3. A WELL-INFORMED LOCAL JOURNALIST HAS INFORMED POL COUNSELOR THAT, ACCORDING TO THE FORMER'S INQUIRIES, GENERAL FEELING HERE IS THAT VENEZUELA IS NOT THE COUNTRY INVOLVED IN THE GULF SCANDAL. JOURNALIST ALSO STATED THAT, ACCORDING TO AD DEPUTY LUIS ESTEBAN REY, ADECOS GENERALLY DO NOT BELIEVE THE FOREIGN OIL COMPANIES OPERATING IN VENEZUELA HAVE BEEN ENGAGING IN IMPROPER ACTIVITIES HERE. COPEI LEADER TOLD DCM AND POL COUNSELOR AT LUNCH MAY 7 THAT COPEI DOES NOT BELIEVE VENEZUELA IS THE COUNTRY IN QUESTION. COPEI LEADER DID STATE THAT LOCAL POLITICIANS HAVE BEEN GREATLY EXCITED BY THE GULF SCANDAL.

4. COMMENT. WE BELIEVE THE VERY STRONG GOV REACTION WAS PRECIPITATED BY ITS FEELING THAT VENEZUELA IS NOT THE COUNTRY IMPLICATED AND THAT THE GOV CAN THEREFORE AFFORD TO TAKE VIGOROUS ACTION TO FORESTALL DOMESTIC POLITICAL CRITICISM OF ITS DEALINGS WITH THE INTERNATIONAL OIL COMPANIES. THE GOV IS ALSO MOST ANXIOUS TO AVOID ANY DAMAGE TO ITS STATURE AMONG ITS OPEC PARTNERS AND ITS STANDING AS A THIRD WORLD LEADER, ESPECIALLY AT THIS MOMENT WHEN THE SHAH OF IRAN IS MAKING A STATE VISIT TO VENEZUELA. SHOULD IT PROVE THAT VENEZUELA IS IMPLICATED IN THE GULF SCANDAL THE GOV ULTIMATUM TO GULF WILL HELP THE GOV PROTECT ITSELF FROM THE CONSEQUENCES. IF NOT, THE GOV WILL TAKE POLITICAL CREDIT AS A WATCHDOG AGAINST CORRUPTION. HOWEVER, WE CANNOT HELP BUT BELIEVE THAT WHICHEVER WAY THE PROBLEM RESOLVES ITSELF, THE EPISODE WILL PROBABLY HURT MENE GRANDE IN ITS FUTURE DEALINGS WITH THE GOV, AND COULD WELL IMPACT UNFAVORABLY ON THE FUTURE COURSE OF THE NATIONALIZATION OF THE FOREIGN-OWNED PETROLEUM COMPANIES IN VENEZUELA.
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